

BEFORE THE
DEPARTMENT OF CORPORATIONS
OF THE
STATE OF CALIFORNIA

In the Matter of the Application of)	NOTICE OF HEARING IN
)	CONNECTION
THE KNOT, INC.)	WITH THE ACQUISITION OF
)	WEDDINGCHANNEL.COM, INC.
for a Permit Authorizing the Sale)	
and Issuance of Securities Pursuant to)	
Section 25121 of the Corporate)	
Securities Law of 1968, as amended)	FILE NO. 309-3910
_____)	

**TO: All Holders of Common Stock, Preferred Stock and Options of
WeddingChannel.com, Inc.**

**THE KNOT, INC.
462 Broadway, 6th Floor
New York, NY 10013
Attn: Richard Szefer**

**WEDDINGCHANNEL.COM, INC.
700 South Flower Street, Suite 600
Los Angeles, CA 90017
Attn: Adam S. Berger
Lee B. Essner**

**WEIL, GOTSHAL & MANGES LLP,
counsel to THE KNOT, INC.
201 Redwood Shores Parkway
Redwood Shores, CA 94065
Attn: Richard S. Millard
Kyle C. Krpata**

**LATHAM & WATKINS LLP,
counsel to WEDDINGCHANNEL.COM, INC.
633 West Fifth Street, Suite 4000
Los Angeles, CA 90071
Attn: Robert O'Shea
Steven Stokdyk**

THIS GIVES YOU NOTICE that a public hearing will be held by the
California Corporations Commissioner (the "California Commissioner") in connection

with a proposed transaction between The Knot, Inc., a Delaware corporation (“Applicant”), and WeddingChannel.com, Inc., a Delaware corporation (“WC”).

The hearing will be held on August 17, 2006 at 10:00 a.m., Pacific time, in the office of the California Department of Corporations at 320 W. 4th Street, Suite 750, Los Angeles, California 90013. The hearing will be conducted by Gabriel Eckstein, Senior Corporations Counsel, on behalf of the California Commissioner.

The hearing will be held in response to the application filed by Applicant on June 16, 2006 under Section 25142 of the Corporate Securities Law of 1968, as amended. In the transaction, IDO Acquisition Corporation, a Delaware corporation and a wholly owned subsidiary of Applicant (“Merger Sub”), will merge with and into WC, with WC being the surviving corporation (the “Surviving Corporation”).

This notice (the “Notice”) does not constitute a solicitation of the vote of WC’s stockholders on the Merger (as defined below) or the Merger Agreement (as defined below). After the hearing and the issuance of a permit to offer and sell securities, WC stockholders will be provided with a proxy statement and a form of proxy pursuant to which they will be asked to approve the Merger and adopt the Merger Agreement.

Facts Giving Rise to Hearing

The purpose of the hearing is to enable the California Commissioner to determine the fairness of the terms and conditions of the transaction described below, pursuant to Section 25142 of the Corporate Securities Law of 1968, as amended.

Applicant has requested authority to issue shares of its common stock pursuant to an Agreement and Plan of Merger and Reorganization, dated June 5, 2006 (the “Merger Agreement”), by and among Applicant, Merger Sub, WC, and Lee B. Essner, as stockholder representative. In the transaction, Applicant will acquire WC by means of a reverse-triangular merger (the “Merger”) whereby Merger Sub will merge with and into WC with WC remaining as the surviving corporation in the Merger. In the Merger, shares of Applicant’s common stock, par value \$0.01 per share (“Applicant Common Stock”), and cash will be issued in exchange for all of the issued and outstanding capital stock of WC, based on the allocation of consideration as contemplated by the Merger Agreement. In addition, all unexercised, unexpired and outstanding options to purchase common stock of WC (“WC Options”) will be cancelled and exchanged for cash. The parties will cause the Merger to be consummated by filing a Certificate of Merger (the “Certificate of Merger”) with the Secretary of State of the State of Delaware (the time of such filing being the “Effective Time”).

Upon consummation of the Merger, the separate existence of Merger Sub shall cease, and the Surviving Corporation shall succeed to all of the rights and properties of Merger Sub and shall be subject to all of the debts and liabilities thereof in the same manner as if the Surviving Corporation had itself incurred them.

The hearing will cover the issuance of shares of Applicant Common Stock in connection with the Merger. The shares of Applicant Common Stock that will be issued in connection with the Merger will not be registered under the Securities Act of 1933, as amended (the “Securities Act”), but shall be issued in reliance upon the exemption provided by Section 3(a)(10) of the Securities Act. Accordingly, consummation of the Merger is conditioned on, among other things, Applicant obtaining a permit (the “Permit”) from the California Commissioner following a public hearing (which hearing is the subject of this Notice), conducted pursuant to Section 25142 of the Corporate Securities Law of 1968, as amended.

Material Features of the Merger and Merger Agreement

The description of the Merger contained herein does not purport to be complete and is qualified in its entirety by the terms and conditions of the Merger Agreement, and the exhibits thereto. Reference should be made to the Merger Agreement, and the exhibits thereto, for a complete description of the terms of the Merger. The Applicant filed the Merger Agreement with the Securities and Exchange Commission (“SEC”) on Form 8-K on June 5, 2006. Such filing can be accessed at the SEC’s website at www.sec.gov.

Effect of Merger on WC Stockholders and Holders of WC Options

General. Pursuant to the Merger Agreement, Applicant proposes to acquire all of the issued and outstanding shares of WC Capital Stock (as defined below) (other than shares owned by stockholders exercising and perfecting appraisal right under applicable law (“Dissenting Shares”) and any shares owned by WC as treasury stock) for consideration consisting of cash and Applicant Common Stock and to cancel all WC Options in exchange for cash. The shares of Applicant Common Stock that will be issued in connection with the Merger will not be registered under the Securities Act, but will be issued in reliance upon the exemption provided by Section 3(a)(10) of the Securities Act.

Under the terms of the Merger Agreement, Applicant and Merger Sub must use their reasonable best efforts to issue 1,150,000 shares of Applicant Common Stock (the “Stock Consideration”) and pay \$57,925,000 in cash, subject to the Estimated Working Capital Adjustment (as defined below) (the “Cash Consideration”), to the stockholders of WC and, in the case of the cash only, the holders of WC Options as of the Effective Time (the “Primary Consideration”). Alternatively, in the event Applicant and Merger Sub are unable to deliver the Primary Consideration after using their reasonable best efforts to do so, the Stock Consideration will consist of 3,200,000 shares of Applicant Common Stock and the Cash Consideration will consist of \$28,000,000 in cash (the “Alternate Consideration”). The exact mix of consideration to be received by the stockholders of WC and the holders of WC Options will depend on a number of factors, including the securities held by each such person. The conversion of WC Capital Stock and cancellation of WC Options is described in more detail below.

At least three (3) business days prior to the closing of the Merger (the “Closing Date”), WC shall calculate its working capital (the “Estimated Working Capital”) and the Cash Consideration will be increased by the amount the Estimated Working Capital exceeds \$10,000,000 or decreased by the amount the Estimated Working Capital is less than \$10,000,000, as the case may be. “Working capital” shall include all current assets of WC and its subsidiaries, less all current liabilities of WC and its subsidiaries, in each case calculated in accordance with GAAP applied consistently with the audited consolidated balance sheet of WC and its subsidiaries as of December 31, 2005, subject to certain agreed upon exceptions. Following the Closing Date, Applicant shall calculate the working capital of WC as of the Closing (the “Final Working Capital”) and the “Final Working Capital Adjustment” shall be equal to the amount, if any by which the Final Working Capital is greater than or less than the Estimated Working Capital.

The Board of Directors of WC has determined that the Merger is advisable and fair to, and in the best interests of, the stockholders of WC and recommends that the stockholders of WC approve the Merger and adopt the Merger Agreement.

Conversion of WC Preferred Stock. As a result of the Merger, holders of shares (other than Dissenting Shares) of WC’s Series A Preferred Stock (“WC Series A Preferred Stock”), WC’s Series B Preferred Stock (“WC Series B Preferred Stock”), WC’s Series C Preferred Stock (“WC Series C Preferred Stock”), WC’s Series D Preferred Stock (“WC Series D Preferred Stock”), WC’s Series E Preferred Stock (“WC Series E Preferred Stock”), WC’s Series F Preferred Stock (“WC Series F Preferred Stock”), WC’s Series G Preferred Stock (“WC Series G Preferred Stock”), WC’s Series H Preferred Stock (“WC Series H Preferred Stock”), WC’s Series I Preferred Stock (“WC Series I Preferred Stock”), WC’s Series J Preferred Stock (“WC Series J Preferred Stock”), WC’s Series K Preferred Stock (“WC Series K Preferred Stock”), WC’s Series L Preferred Stock (“WC Series L Preferred Stock”) and WC’s Series N Preferred Stock (“WC Series N Preferred Stock” and, together with the WC Series A Preferred Stock, the WC Series B Preferred Stock, the WC Series C Preferred Stock, the WC Series D Preferred Stock, the WC Series E Preferred Stock, the WC Series F Preferred Stock, the WC Series G Preferred Stock, the WC Series H Preferred Stock, the WC Series I Preferred Stock, the WC Series J Preferred Stock, the WC Series K Preferred Stock and the WC Series L Preferred Stock, the “WC Preferred Stock” and, together with the WC Common Stock, the “WC Capital Stock”) who do not elect to convert to WC Common Stock prior to the Effective Time will be entitled to receive, subject to the General Escrow Fund (as defined below) and the Working Capital Escrow Fund (as defined below), the following consideration per share:

a portion of the Stock Consideration having a value (based on the average closing price of a share of Applicant Common Stock on the Nasdaq National Market for the five (5) trading days ending on the fifth day prior to the meeting of WC’s stockholders to adopt the Merger Agreement and approve the Merger (the “Stock Consideration Value”)) equal to its applicable liquidation preference multiplied by (a) the aggregate Stock Consideration Value, divided by (b) (i) the Cash Consideration, plus (ii) the aggregate Stock

Consideration Value, minus (iii) all cash distributed to the holders of WC Options, as set forth below; and

a portion of the Cash Consideration having a value equal to its applicable liquidation preference multiplied by (a) (i) the amount of Cash Consideration, minus (ii) all cash distributed to the holders of WC Options, as set forth below, divided by (b) the sum of (i) (A) the Cash Consideration, minus (B) all cash distributed to the holders of WC Options, as set forth below), plus (ii) the aggregate Stock Consideration Value.

Conversion of WC Common Stock. As a result of the Merger, holders of shares of WC Common Stock (other than Dissenting Shares) will be entitled to receive, subject to the General Escrow Fund and the Working Capital Escrow Fund, the following consideration per share:

a portion of the Stock Consideration equal to the quotient obtained by dividing (a) the Stock Consideration less the number of shares of Applicant Common Stock issued to the holders of WC Preferred Stock, as set forth above, by (b) the number of shares of WC Common Stock issued and outstanding immediately prior to the Effective Time; and

a portion of the Cash Consideration equal to the quotient obtained by dividing (a) the Cash Consideration, less the aggregate amount of cash paid to the holders of WC Preferred Stock, as set forth above, and to the holders of WC Options, as set forth below, by (b) the number of shares of WC Common Stock issued and outstanding immediately prior to the Effective Time.

Conversion of WC Options; WC Secondary Options. As a result of the Merger, each WC Option that is unexercised, unexpired and then outstanding will become fully vested and exercisable with respect to all shares of WC Common Stock subject thereto. Such WC Options will be cancelled as of the Effective Time and each holder of WC Options will cease to have any rights with respect thereto, except the right to receive a portion of the Cash Consideration equal to (a) (i) (A) the Cash Consideration, plus (B) the aggregate Stock Consideration Value, plus (C) the aggregate exercise price of all WC Options that are not WC Secondary Options (as defined below), minus (D) the aggregate amount of cash paid for the liquidation preference of shares of WC Preferred Stock, minus (E) the aggregate WC Secondary Option Consideration (as defined below) divided by (ii) (A) the aggregate number of shares of WC Common Stock subject to WC Options that are not WC Secondary Options, plus (B) the number of shares of WC Common Stock issued and outstanding immediately prior to the Effective Time (such amount to be referred to as the “WC Option Per Share Consideration”), multiplied by (iii) the aggregate number of shares of WC Common Stock subject to all WC Options that are not WC Secondary Options held by such holder, less (b) the aggregate cash exercise price payable upon exercise of all WC Options that are not WC Secondary Options held by such holder.

Each WC Option with an exercise price that equals or exceeds the WC Option Per Share Consideration shall be considered a “WC Secondary Option.” As a result of the Merger, each WC Secondary Option will be cancelled as of the Effective

Time and each holder of WC Secondary Options will cease to have any rights with respect thereto, except the right to receive \$0.01 per each share of WC Common Stock underlying each WC Secondary Option (the “WC Secondary Option Consideration”).

Primary Consideration Examples. The following charts demonstrate, solely for illustration purposes, how the Primary Consideration would be allocated among holders of WC Preferred Stock, WC Common Stock and WC Options at various Applicant closing prices and based upon certain assumptions. The charts assume, among other things, that:

each holder of WC Preferred Stock that will receive greater consideration by converting its WC Preferred Stock to WC Common Stock, will elect to convert to WC Common Stock;

each holder of WC Preferred Stock that will receive greater consideration by not converting and instead receiving its liquidation preference, will not convert to WC Common Stock;

there will be no working capital adjustment and all amounts placed in the Working Capital Escrow Fund will be distributed to holders of WC Common Stock and WC Preferred Stock; and

there will be no indemnification claims and all amounts placed in the General Escrow Fund will be distributed to the holders of WC Common Stock and WC Preferred Stock.

If the assumptions made in connection with the charts prove to be inaccurate or incorrect, then the actual amount of consideration distributed to holders of WC Capital Stock and WC Options could be materially different from that reflected in or implied by the charts below.

The information provided in each chart is based on WC’s capitalization as of July 31, 2006. Any changes to WC’s capitalization after that date, including as a result of the exercise or expiration of WC Options or the conversion of shares of WC Preferred Stock into WC Common Stock, could make the actual amount of consideration distributed to holders of WC Capital Stock materially different from that reflected in or implied by the charts.

Assuming Applicant and Merger Sub deliver the Primary Consideration (and given the other assumptions discussed above), based on the Applicant closing price stated in each scenario below, the holders of WC Capital Stock and WC Options would receive the amount and type of consideration as a result of the Merger reflected in the charts. The charts assume that all holders of WC Preferred Stock (except for the WC Series G Preferred Stock, WC Series J Preferred Stock, WC Series K Preferred Stock and WC Series L Preferred Stock) elect to convert their shares into WC Common Stock. For comparative purposes, the final column on the right of the charts illustrates the per share consideration that would be received by each series of WC Preferred Stock if it (and only it) made the opposite conversion decision.

Primary Consideration Scenario 1 – Applicant Closing Price Per Share = \$16.00

	<u>Cash Consideration</u>	<u>Stock Consideration Value</u>	<u>No. of Shares of The Knot</u>	<u>Aggregate Merger Consideration</u>	<u>Per Share Consideration</u>	<u>Per Share Consideration Assuming Opposite Conversion Decision</u>
Total	\$57,925,000	\$18,400,000	1,150,000	\$76,325,000		
Less: Cash for Primary Options	\$4,763,230	\$0	0	\$4,763,230		
Less: Cash for Secondary Options	\$14,326	\$0	0	\$14,326		
Available Consideration for Liquidation Preference of Preferred Stock	\$53,147,444	\$18,400,000	1,150,000	\$71,547,444		
Series G Preferred Stock	\$7,294,476	\$2,525,396	157,837	\$9,819,872	\$0.998	\$ 0.652
Series J Preferred Stock	\$5,496,479	\$1,902,918	118,932	\$7,399,396	\$0.710	\$ 0.621
Series K Preferred Stock	\$5,365,535	\$1,857,584	116,099	\$7,223,119	\$0.710	\$ 0.621
Series L Preferred Stock	\$1,928,452	\$667,643	41,728	\$2,596,096	\$0.980	\$ 0.621
Available Consideration for Common Stock and the Preferred Stock Listed Below on an As Converted Basis	\$33,062,503	\$11,446,459	715,404	\$44,508,962	\$0.610	
Series A Preferred Stock	\$1,358,861	\$470,447	29,403	\$1,829,308	\$0.610	\$ 0.025
Series B Preferred Stock	\$557,870	\$193,138	12,071	\$751,009	\$0.610	\$ 0.077
Series C Preferred Stock	\$1,363,404	\$472,020	29,501	\$1,835,424	\$0.610	\$ 0.109
Series D Preferred Stock	\$3,721,889	\$1,288,543	80,534	\$5,010,431	\$0.610	\$ 0.162
Series E Preferred Stock	\$5,615,487	\$1,944,119	121,507	\$7,559,607	\$0.610	\$ 0.349
Series F Preferred Stock	\$4,297,224	\$1,487,728	92,983	\$5,784,951	\$0.610	\$ 0.349
Series H Preferred Stock	\$2,016,486	\$698,121	43,633	\$2,714,607	\$0.610	\$ 0.075
Series I Preferred Stock	\$4,335,444	\$1,500,960	93,810	\$5,836,404	\$0.610	\$ 0.149
Series N Preferred Stock	\$2,151,531	\$744,874	46,555	\$2,896,405	\$0.610	\$ 0.366
Common Stock	\$7,644,307	\$2,646,510	165,407	\$10,290,817	\$0.610	

Primary Consideration Scenario 2 – Applicant Closing Price Per Share = \$18.00

	<u>Cash Consideration</u>	<u>Stock Consideration Value</u>	<u>No. of Shares of The Knot</u>	<u>Aggregate Merger Consideration</u>	<u>Per Share Consideration</u>	<u>Per Share Consideration Assuming Opposite Conversion Decision</u>
Total	\$57,925,000	\$20,700,000	1,150,000	\$78,625,000		
Less: Cash for Primary Options	\$4,997,844	\$0	0	\$4,997,844		
Less: Cash for Secondary Options	\$14,326	\$0	0	\$14,326		
Available Consideration for Liquidation Preference of Preferred Stock	\$52,912,830	\$20,700,000	1,150,000	\$73,612,830		
Series G Preferred Stock	\$7,058,514	\$2,761,358	153,409	\$9,819,872	\$0.998	\$ 0.677
Series J Preferred Stock	\$5,318,679	\$2,080,718	115,595	\$7,399,396	\$0.710	\$ 0.646
Series K Preferred Stock	\$5,191,971	\$2,031,148	112,842	\$7,223,119	\$0.710	\$ 0.646
Series L Preferred Stock	\$1,866,071	\$730,025	40,557	\$2,596,096	\$0.980	\$ 0.649
Available Consideration for Common Stock and the Preferred Stock Listed Below on an As Converted Basis	\$33,477,595	\$13,096,752	727,597	\$46,574,348	\$0.638	
Series A Preferred Stock	\$1,375,922	\$538,274	29,904	\$1,914,195	\$0.638	\$ 0.025

Series B Preferred Stock	\$564,874	\$220,984	12,277	\$785,858	\$0.638	\$ 0.077
Series C Preferred Stock	\$1,380,521	\$540,073	30,004	\$1,920,594	\$0.638	\$ 0.109
Series D Preferred Stock	\$3,768,616	\$1,474,318	81,907	\$5,242,934	\$0.638	\$ 0.162
Series E Preferred Stock	\$5,685,989	\$2,224,413	123,578	\$7,910,401	\$0.638	\$ 0.349
Series F Preferred Stock	\$4,351,174	\$1,702,221	94,568	\$6,053,395	\$0.638	\$ 0.349
Series H Preferred Stock	\$2,041,802	\$798,772	44,376	\$2,840,575	\$0.638	\$ 0.075
Series I Preferred Stock	\$4,389,875	\$1,717,360	95,409	\$6,107,235	\$0.638	\$ 0.149
Series N Preferred Stock	\$2,178,543	\$852,267	47,348	\$3,030,809	\$0.638	\$ 0.366
Common Stock	\$7,740,279	\$3,028,071	168,226	\$10,768,350	\$0.638	

Primary Consideration Scenario 3 – Applicant Closing Price Per Share = \$20.00

	<u>Cash Consideration</u>	<u>Stock Consideration Value</u>	<u>No. of Shares of The Knot</u>	<u>Aggregate Merger Consideration</u>	<u>Per Share Consideration</u>	<u>Per Share Consideration Assuming Opposite Conversion Decision</u>
Total	\$57,925,000	\$23,000,000	1,150,000	\$80,925,000		
Less: Cash for Primary Options	\$5,232,458	\$0	0	\$5,232,458		
Less: Cash for Secondary Options	\$14,326	\$0	0	\$14,326		
Available Consideration for Liquidation Preference of Preferred Stock	\$52,678,216	\$23,000,000	1,150,000	\$75,678,216		
Series G Preferred Stock	\$6,835,432	\$2,984,439	149,222	\$9,819,872	\$0.998	\$ 0.702
Series J Preferred Stock	\$5,150,584	\$2,248,813	112,441	\$7,399,396	\$0.710	\$ 0.671
Series K Preferred Stock	\$5,027,880	\$2,195,238	109,762	\$7,223,119	\$0.710	\$ 0.671
Series L Preferred Stock	\$1,807,094	\$789,001	39,450	\$2,596,096	\$0.980	\$ 0.676
Available Consideration for Common Stock and the Preferred Stock Listed Below on an As Converted Basis	\$33,857,225	\$14,782,509	739,125	\$48,639,734	\$0.666	
Series A Preferred Stock	\$1,391,524	\$607,558	30,378	\$1,999,082	\$0.666	\$ 0.025
Series B Preferred Stock	\$571,280	\$249,428	12,471	\$820,708	\$0.666	\$ 0.077
Series C Preferred Stock	\$1,396,176	\$609,589	30,479	\$2,005,765	\$0.666	\$ 0.109
Series D Preferred Stock	\$3,811,352	\$1,664,086	83,204	\$5,475,438	\$0.666	\$ 0.162
Series E Preferred Stock	\$5,750,467	\$2,510,729	125,536	\$8,261,196	\$0.666	\$ 0.349
Series F Preferred Stock	\$4,400,516	\$1,921,323	96,066	\$6,321,839	\$0.666	\$ 0.349
Series H Preferred Stock	\$2,064,956	\$901,587	45,079	\$2,966,543	\$0.666	\$ 0.075
Series I Preferred Stock	\$4,439,655	\$1,938,412	96,921	\$6,378,067	\$0.666	\$ 0.149
Series N Preferred Stock	\$2,203,247	\$9641,967	48,098	\$3,165,214	\$0.666	\$ 0.366
Common Stock	\$7,828,053	\$3,417,830	170,892	\$11,245,883	\$0.666	

Applicant expects to deliver the Primary Consideration at the Effective Time. In the event that Applicant were to deliver the Alternate Consideration at the Effective Time, the amount and mix of consideration will be materially different from that reflected in or implied by the charts above.

Indemnification; Escrow Fund

General Indemnification. Subject to certain limitations and qualifications set forth in the Merger Agreement, from and after the Effective Time and until the Expiration Date (as defined below), the former stockholders of WC (the “Escrowed Stockholders”) shall indemnify and hold harmless Applicant, Merger Sub and the

Surviving Corporation and their respective affiliates, officers, directors, stockholders, representatives and agents (collectively the “Indemnitees”) from and against and in respect of all losses incurred by Applicant, Merger Sub, the Surviving Corporation or any other Indemnitee arising out of or resulting from:

the failure of any representation or warranty of WC in the Merger Agreement to be true and correct in all respects on the date of the Merger Agreement and as of the Closing Date as if made on and as of such date except that any such representations and warranties that relate to a particular date must be true and correct only as of such date, and any inaccuracy in or breach of any representation or warranty made by WC in any certificate delivered by WC pursuant to the Merger Agreement;

any breach or failure by WC to perform any of the covenants or agreements of WC contained in the Merger Agreement;

any claims related to the Final Working Capital Adjustment if the Working Capital Escrow Fund has been exhausted by such claims;

any claims arising out of, related to, or in connection with the exercise of appraisal rights under applicable law;

any fees and expenses of the PricewaterhouseCoopers LLP, acting as accounting referee, payable by the Escrowed Stockholders under the Merger Agreement;

fifty percent (50%) of any payment of sales and use tax claims up to \$200,000; and

any claims arising out of, related to, or in connection with a certain identified claim described in the Merger Agreement up to \$100,000.

Liability of the Escrowed Stockholders shall be several and not joint and the maximum liability of any Escrowed Stockholder for any such losses shall be limited to and paid solely from such stockholder’s proportionate interest in the General Escrow Fund and, with respect to the Final Working Capital Adjustment, the Working Capital Escrow Fund. Applicant’s sole and exclusive remedy against WC’s stockholders for losses arising under the Merger Agreement will be limited to the General Escrow Fund, except in the case of fraud.

General Escrow. As a condition to the closing of the Merger, Applicant, WC, Lee B. Essner, the stockholder representative for WC’s stockholders (the “Stockholder Representative”), and Citibank, N.A. (the “Escrow Agent”) will enter into an escrow agreement (the “Escrow Agreement”) providing for the escrow of ten percent (10%) of the Stock Consideration (the “Escrow Shares”) and ten percent (10%) of the Cash Consideration (the “Escrow Cash” and, together with the Escrow Shares, the “General Escrow Amount”). The General Escrow Amount will be held in escrow until the eighteen (18) month anniversary of the Effective Time (the “Expiration Date”) to provide a fund for indemnification claims made by Applicant and certain other indemnified parties in accordance with the terms of the Merger Agreement, such deposit

to constitute the “General Escrow Fund”; provided, however, if there are any unsatisfied indemnification claims made by Applicant prior to the Expiration Date arising from facts and circumstances prior to the Expiration Date, a portion of the Escrow Shares and Escrow Cash which is necessary to satisfy such claims will remain in the General Escrow Fund until such claims have been resolved.

Working Capital Escrow. In addition, a separate escrow fund (the “Working Capital Escrow Fund”) will be established for the escrow of \$500,000 of the Cash Consideration (the “Working Capital Escrow Amount”) to be used to satisfy any Final Working Capital Adjustment in accordance with the Merger Agreement.

Stockholder Representative. Through the adoption of the Merger Agreement, the Escrowed Stockholders will consent to the appointment of Lee B. Essner as the Stockholder Representative of such Escrowed Stockholders, as the attorney-in-fact for and on behalf of each such Escrowed Stockholder, and the taking by the Stockholder Representative of any and all actions and the making of any decisions required or permitted to be taken by him under the Merger Agreement, including the exercise of the power to (a) execute the Merger Agreement and the Escrow Agreement, (b) execute any amendments to the Merger Agreement and the Escrow Agreement, (c) authorize delivery to Applicant and the Surviving Corporation of the General Escrow Amount, or any portion thereof, in satisfaction of indemnification claims, (d) authorize delivery to Applicant and the Surviving Corporation of the Working Capital Escrow Amount, or any portion thereof, in satisfaction of any claims related to the Final Working Capital Adjustment, (e) agree to, negotiate, enter into settlements and compromises of and comply with orders of courts and awards of arbitrators with respect to any indemnification claims, (f) resolve any indemnification claims and claims related to the Final Working Capital Adjustment and (g) take all actions necessary in the judgment of the Stockholder Representative for the accomplishment of the foregoing and all of the other terms, conditions and limitations of the Merger Agreement and the Escrow Agreement; provided, however, that the Stockholder Representative shall not take any action where (i) any single Escrowed Stockholder would be held solely liable for a loss (without such Escrowed Stockholder’s prior written consent) or (ii) such action materially and adversely affects the substantive rights or obligations of an Escrowed Stockholder, or group of Escrowed Stockholders, without a similar proportionate effect upon the substantive rights or obligations of all Escrowed Stockholders, unless each such disproportionately affected Escrowed Stockholder consents in writing prior thereto.

Delivery of Proxy Statement and Solicitation of Stockholder Approval

The delivery of the proxy statement describing the material terms of the Merger and the Merger Agreement and the form of proxy soliciting approval of the Merger and adoption of the Merger Agreement by the stockholders of WC will occur promptly after the issuance of the Permit following the hearing.

Further Information

Additional information concerning the Merger can be found in Applicant's permit application file and the documents filed in connection therewith at the offices of the Department of Corporations, 320 W. 4th Street, Suite 750, Los Angeles, California 90013. A copy of such materials are also available for inspection at WC's executive offices at 700 South Flower Street, Suite 600, Los Angeles, California 90017.

Hearing

Any interested person may be present at the hearing, may (but need not) be represented by legal counsel, and will be given an opportunity to be heard. Any interested person will be entitled to the issuance of subpoenas to compel the attendance of witnesses and the production of books, documents and other items by applying for such subpoenas to the Department of Corporations, 320 W. 4th Street, Suite 750, Los Angeles, California 90013. If you are interested in this matter, you may appear at the hearing in favor of or in opposition to the granting of the Permit. Whether you plan to attend or not, you are invited to make your views known by sending correspondence for receipt no later than two (2) business days prior to the date of the hearing to Shohreh Aram, Corporations Counsel, at the Department of Corporations, 320 W. 4th Street, Suite 750, Los Angeles, California 90013.

The hearing will be held for the purpose of enabling the California Commissioner to determine the fairness of the terms and conditions of the issuance of the securities by Applicant pursuant to the Merger Agreement and the Merger and will be based upon the application and all papers and documents filed in connection therewith. Section 25142 of the Corporate Securities Law of 1968, as amended, authorizes the California Commissioner to hold such hearing when securities will be issued in exchange for other outstanding securities, whether or not the security of transaction is exempt from qualification, to approve the terms and conditions of such issuance and exchange and to determine whether such terms and conditions are fair, just and equitable.

A FINDING BY THE CALIFORNIA COMMISSIONER THAT THE PROPOSED TRANSACTION IS FAIR, JUST AND EQUITABLE, AND THE ISSUANCE OF A PERMIT THEREAFTER, IS NOT A RECOMMENDATION OF THE PROPOSED TRANSACTION.

Los Angeles, California

AUG 01 2006

Preston DuFauchard
California Corporations Commissioner
ORIGINAL SIGNED BY

By: _____
Shohreh Aram
Corporations Counsel